

PUBLIC DISCLOSURE

May 27, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WINCHESTER CO-OPERATIVE BANK

27238

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<p>NOTE: This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Deposit Insurance Corporation or the Division of Banks concerning the safety and soundness of this financial institution.</p>

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GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Winchester Co-operative Bank (or the “Bank”)**, prepared by the Division and the FDIC, the institution's supervisory agencies as of **May 27, 2014**. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's regulation 209 CMR 46.00. The FDIC rates the CRA performance of the institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these tests is summarized below:

Lending Test

The institution is rated “**Satisfactory**” under the Lending Test. This rating is supported by the following summary of results.

Loan-to-Deposit Ratio

The loan-to-deposit (“LTD”) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the past 13 quarters since the prior CRA evaluation, dated March 14, 2011, was 71.5 percent.

Assessment Area Concentration

A majority of the Bank's home mortgage loans are in the institution's assessment area. During 2012 and 2013, 58.7 percent of all home mortgage loans were originated inside the assessment area.

Borrower Characteristics

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income).

Geographic Distribution

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Response to Complaints

Winchester Co-operative Bank did not receive any CRA-related complaints during the evaluation period.

Community Development Test

The institution is rated “**Satisfactory**” under the Community Development Test. The institution demonstrated adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the institution’s capacity and the need and availability of such opportunities throughout the institution’s assessment area. The rating is supported by the following factors:

Community Development Loans

The Bank made two qualified community development loans totaling approximately \$200,000 during the evaluation period. These loans had the primary purpose of providing affordable housing or community services for low- and moderate-income (“LMI”) individuals. This represents an improvement from the prior evaluation when the Bank made no community development loans.

Community Development Investments

The Bank’s total qualified investments are approximately \$97,974 and consisted solely of grants and donations. Donations primarily assisted organizations that provide community services targeted to LMI individuals.

Community Development Services

Bank officers extended their financial expertise to community development organizations within its designated assessment area. Officers and Directors provided services to organizations that offer affordable housing and community services targeted to LMI individuals and families.

SCOPE OF THE EXAMINATION

This evaluation assessed Winchester Co-operative Bank's CRA performance utilizing Intermediate Small Bank ("ISB") examination procedures, as established by the Federal Financial Institutions Examination Council ("FFIEC"). These procedures require two performance tests: a Lending Test and a Community Development Test. The Lending Test analyzes an institution's applicable home mortgage, small business, and small farm loans during a certain review period. The Community Development Test is an analysis of qualified activities (loans, investments, and services) an institution performed to meet the needs of the community since the previous evaluation.

The Lending Test considered the Bank's home mortgage lending. The Bank's most recent Report of Condition and Income ("Call Report"), dated March 31, 2014, indicated that residential lending, including all loans secured by 1-4 family and multi-family residential properties, represented 90.2 percent of the loan portfolio. Commercial lending, consisting of commercial real estate and commercial and industrial loans, represented only 5.5 percent of the loan portfolio. The Bank did not make any small farm loans during the review period and this product represents only 0.1 percent of the loan portfolio. As a result of the low activity and portfolio representation for small business and small farm lending, these product lines were not reviewed at this evaluation. Additionally, consumer loans are not a primary product for the institution, so this product line was not reviewed as part of the examination.

Data reviewed includes home mortgage loans reported on the Bank's Home Mortgage Disclosure Act ("HMDA") loan application registers ("LARs") from 2012 and 2013. The LARs contain data about home purchase and home improvement loans, including refinances of 1-4 family and multi-family properties. The Bank reported 428 loans totaling \$128.9 million in 2012 and 313 loans totaling \$102.8 million in 2013. The Bank's home mortgage lending performance was compared against 2012 aggregate lending data. Aggregate data includes the lending activity of all institutions subject to HMDA reporting within the Bank's assessment area. The evaluation focused on lending performance in 2012, as aggregate data for 2013 was not yet available.

While the Lending Test discusses the total dollar amounts of loans, conclusions were primarily based on the number of loans originated or purchased, as extremely large or small dollar amounts could skew conclusions.

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services between March 14, 2011 and May 27, 2014. Additionally, any qualified equity investments remaining on the Bank's books from prior evaluations also received consideration.

Demographic information from the 2010 United States ("U.S.") Census was referenced in this evaluation. Financial data was generally obtained from the Bank's March 31, 2014 Call Report.

PERFORMANCE CONTEXT

Description of Institution

Winchester Co-operative Bank is a Massachusetts chartered mutual bank that offers banking services to retail customers in Winchester and its surrounding communities. The Bank's only office is located at 19 Church Street in Winchester. The Bank did not close any locations during the evaluation period. The main office is located in an upper-income census tract.

The Bank is a full-service financial institution that offers products and services for consumer and business customers. Deposit accounts include standard checking, savings, and term accounts. Home financing programs include adjustable- and fixed-rate options for the purchase, refinance, improvement and construction of residential property. The Bank offers first-time home buyer loans, as well as home equity lines of credit. Other services offered by the Bank include online banking and bill payment, 24-hour ATM banking, and mobile banking services. The Bank offers some business banking products, including commercial real estate mortgages.

The Bank's total assets increased from \$488.2 million to \$567.4 million, or approximately 16.2 percent, since the previous evaluation. Net loans total over \$361.8 million, representing growth of approximately 14.9 percent since the prior evaluation. Loans account for 63.8 percent of total assets, followed by securities at 22.6 percent and cash at 12.5 percent. Table 1 contains a summary of the Bank's loan portfolio as of March 31, 2014.

Table 1 – Loan Portfolio Distribution as of March 31, 2014		
Loan Type	Dollar Amount \$('000s)	Percent of Total Loans (%)
Loans Secured by Real Estate		
Construction, Land Development, and Other Land Loans	13,843	3.8
Secured by Farmland (Including Farm Residential and Other Improvements)	542	0.1
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	9,342	2.6
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by First Liens	300,522	82.7
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by Junior Liens	11,510	3.2
Secured by Multi-Family (5 or more) Residential Properties	6,066	1.7
Secured by Nonfarm Nonresidential Properties	19,462	5.4
Loans to Finance Agricultural Production and Other Loans to Farmers	0	0.0
Commercial and Industrial	342	0.1
Loans to Individuals for Household, Family, and Other Personal Expenditures	1,608	0.4
TOTAL LOANS	363,237	100.0

Source: March 31, 2014 Call Report

As depicted in Table 1, the Bank's portfolio is heavily concentrated in residential real estate loans. Management indicated it does not expect the current distribution of loan products to change significantly in the near future. The institution will continue to focus its lending efforts in 1-4 family residential mortgages. Since these loans are typically reported under HMDA and only receive consideration under the Lending Test, the Bank historically has a difficult time making community development loans.

The prior CRA evaluation was conducted by the Division and FDIC as of March 14, 2011, and also utilized ISB procedures. The evaluation resulted in an overall “Satisfactory” rating. There are no significant financial or legal impediments that limit the Bank’s ability to help meet the credit needs of its assessment area. It is noted; however, that the institution’s lack of branches limits its presence in the assessment area outside of Winchester. While the assessment area includes surrounding communities, the Bank’s credit operations are primarily focused on Winchester. The Bank does limited advertising and does not have any outside originators.

Description of Assessment Area

The CRA requires that a financial institution define an assessment area, or areas within which it will concentrate its lending efforts, and within which its record of helping to meet the needs of its community will be evaluated. The assessment area, as currently defined, meets the technical requirements of the CRA since it (1) consists of one or more political subdivisions; (2) includes geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the bank originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not reflect illegal discrimination; and (5) does not arbitrarily exclude low- and moderate-income areas.

The Bank’s assessment area includes the following cities and towns: Arlington, Burlington, Lexington, Medford, Stoneham, Winchester, and Woburn. The Bank’s assessment area is comprised of 47 contiguous census tracts located in Middlesex County in Massachusetts. The assessment area does not contain any low- income tracts, but does contain 8 moderate-income tracts, 27 middle-income tracts, and 12 upper-income tracts. These municipalities are part of the Cambridge-Framingham-Newton, Massachusetts (“MA”) Metropolitan Division (“MD”) #15764.

The Bank expanded its assessment area since the previous evaluation. Previously, the assessment area consisted of 12 census tracts in Winchester and Woburn.

To assess the Bank’s lending performance within this evaluation, consideration is given to certain demographic data about the assessment area. Table 2 highlights some of the relevant demographic data.

Table 2 – Assessment Area Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	47	0.0	17.0	57.5	25.5
Population by Geography	235,840	0.0	13.5	59.9	26.6
Owner-Occupied Housing by Geography	64,048	0.0	10.0	60.2	29.8
Distribution of Families by Income Level	60,829	18.5	16.6	22.8	42.1
Median Family Income (MFI)		\$108,414	Median Housing Value		\$504,002
MD #15764 MFI, 2012		\$106,400			
MD #15764 MFI, 2013		\$101,000			
Families Below Poverty Level		3.5%	Unemployment Rate		6.1%

Source: 2010 U.S. Census; 2012 and 2013 FFIEC Estimated Median Family Incomes

Median Family Income Levels

According to 2010 Census data the assessment area contains 60,829 total families. It should be noted that upper-income families represent 42.1 percent of the total families, suggesting a relatively wealthy assessment area. Together, middle- and upper-income families make up nearly 65 percent of all families within the assessment area.

Furthermore, the *Geographic Distribution* section of the Lending Test assesses the distribution of loans by census tract income level, especially in those designated low- and moderate-income. Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the Metropolitan Statistical Area (MSA) or MD in which the tract is located. The four income levels are defined as follows:

Low-Income: Less than 50 percent of MFI

Moderate-Income: At least 50 percent, but less than 80 percent of MFI

Middle-Income: At least 80 percent, but less than 120 percent of MFI

Upper-Income: 120 percent or greater of MFI

Housing Characteristics

Housing units within the assessment area in 2013 totaled 99,199, of which 64,048 or 64.6 percent were owner-occupied, and 30,054 or 30.3 percent rental occupied while 5,097 or 5.1 percent are vacant. Of the owner-occupied units within the assessment area, 10.0 percent are in moderate-income tracts, 60.2 percent are in middle-income tracts, and 29.8 percent are in upper-income tracts. The high proportion of owner-occupied units in middle- and upper- income tracts may be indicative of limited home mortgage lending opportunities within moderate-income tracts. The median housing value in the assessment area was \$504,002, which reflects a very affluent assessment area and a potential affordability gap for low- and moderate- income families. It should also be noted that LMI families make up approximately 35.1 percent of families within the assessment area.

Competition

The Bank faces significant competition within the assessment area. In 2012, there were 21,337 HMDA-reportable loans originated or purchased by 356 home mortgage lenders within the assessment area, which include large regional and national banks as well as mortgage companies. Within the assessment area, Winchester Co-operative Bank ranked 21st with a 1.2 percent market share.

Unemployment Data

The unemployment rate for the assessment area in 2013 was 6.1 percent. As of March 2014 the unemployment rate in Middlesex County according to the Bureau of Labor Statistics was 4.9 percent, and the unemployment rate in Massachusetts was 6.3 percent. This information suggests that economic conditions in the assessment area may be slightly better than State-wide economic conditions.

Community Contact

As part of the evaluation process, third parties active in community affairs are contacted to assist in assessing the housing and general banking needs of the community. Relevant information obtained from such sources helps to determine whether local financial institutions are responsive to the credit and service needs of their communities and what further opportunities, if any, are available. For purposes of this evaluation, information provided by one such contact was referenced in preparing this evaluation.

A community contact was conducted with a local government organization focused on community development in a municipality within the institution's assessment area. The agency focuses on a wide-range of community development initiatives including, but not limited to, affordable housing and first-time homebuyer seminars. The contact stressed that the greatest need in the area is affordable housing, as the majority of new developments are luxury condominiums. The contact also mentioned that local non-profit organizations could use additional funding in the form of grants, specifically organizations providing services for senior citizens.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

The Lending Test considers the institution's performance pursuant to the following criteria: LTD Ratio, Assessment Area Concentration, Borrower Characteristics, Geographic Distribution, and Response to CRA Complaints. Overall, the Bank's performance under the Lending Test is "Satisfactory." This rating indicates that the Bank's lending performance demonstrates a reasonable responsiveness to the credit needs of the assessment area.

Loan-to-Deposit Ratio

This performance criterion evaluates the proportion of the Bank's deposit base reinvested in the form of loans. The analysis was performed using quarterly Call Report data for the period ending March 31, 2011 through March 31, 2014.

Winchester Co-operative Bank's average LTD ratio was calculated at 71.5 percent and is considered reasonable given the Bank's size, financial condition, and the assessment area credit needs. Over the past 13 quarters, the LTD was at a low of 68.8 percent at December 31, 2011, and at a high of 73.1 percent at September 30, 2013. The Bank's average net LTD ratio was compared to the average net LTD ratios of two other locally-based, similarly situated depository institutions. The Bank's LTD ratio was comparable to these institutions, as shown in the Table 3.

Table 3 – Loan-to-Deposit Comparison		
Bank Name	Total Assets \$(000) as of 03/31/2014	Average Net LTD Ratio 03/31/2011 – 03/31/2014
Winchester Co-operative Bank	567,441	71.5%
The Savings Bank (Wakefield)	476,022	71.6%
Winchester Savings Bank	532,639	72.4%

Source: 3/31/2011 through 3/31/2014 Call Reports

The Bank sold 387 loans totaling approximately \$108 million on the secondary market during the review period. Sold loans are not reflected in the net LTD ratio, which further supports the Bank's performance under this criterion.

Assessment Area Concentration

Overall, a majority of home mortgage loans were originated inside the Bank's delineated assessment area in 2012 and 2013. Using the reported HMDA information, 58.7 percent of loans were originated inside the assessment area by number, and 60.0 percent of loans were originated inside the assessment area by dollar volume. More emphasis is placed on the percentage of loans by number since it has a more direct correlation to the number of borrowers served. See Table 4 for details.

Table 4 – Distribution of Loans Inside and Outside of Assessment Area										
Loan Type	Number Loans					Dollar Volume (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$
2012 HMDA										
Home Purchase	68	47.2	76	52.8	144	26,570	49.7	26,845	50.3	53,415
Home Improvement	32	68.1	15	31.9	47	8,759	69.3	3,884	30.7	12,643
Refinance	146	61.6	91	38.4	237	38,712	61.6	24,133	38.4	62,845
2012 Total	246	57.5	182	42.5	428	74,041	57.4	54,862	42.6	128,903
2013 HMDA										
Home Purchase	52	50.5	51	49.5	103	24,679	58.7	17,391	41.3	42,070
Home Improvement	42	72.4	16	27.6	58	12,437	77.6	3,579	22.4	16,016
Refinance	95	62.5	57	37.5	152	27,976	62.5	16,758	37.5	44,734
2013 Total	189	60.4	124	39.6	313	65,092	63.3	37,728	36.7	102,820
Grand Total	435	58.7	306	41.3	741	139,133	60.0	92,590	40.0	231,723

Source: 2012 and 2013 Bank HMDA Data.

The Bank distributed a majority of home mortgage loans inside its assessment area in both 2012 and 2013. The Bank distributed 57.5 percent of its home mortgage loans inside its assessment area by number and 57.4 percent by dollar volume in 2012. In 2013 the Bank originated 60.4 percent of its loans inside its assessment area by number and 63.3 percent by dollar volume. The distribution of home mortgage loans originated inside the Bank's assessment area remained relatively constant between 2012 and 2013.

It should be noted that although both home purchase and refinance originations fell from 2012 to 2013, Bank management attributed the change to rising interest rates in 2013. There was a spike in refinances across the country in 2012, and fluctuations in Winchester Co-operative Bank's originations mimic these nationwide trends. However, the Bank experienced an increase in home improvement loans due to limited opportunities for purchases in the assessment area. Management explained that an aging housing stock, coupled with a low supply of vacant homes, makes home improvement a popular alternative in the area.

Borrower Characteristics

The distribution of loans by borrower income level reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income individuals). Table 5 shows the Bank's loans by borrower income level in 2012 and 2013. Table 5 also includes the distribution of families by income level using 2010 U.S. Census data, as well as aggregate market data for 2012.

Table 5 – Distribution of Home Mortgage Loans by Borrower Income Level						
Income Level	% of Total Families 2012	2012 Aggregate Lending Data (% of #)	2012 Bank		2013 Bank	
			#	%	#	%
Low	18.5	4.5	33	13.4	19	10.1
Moderate	16.6	16.6	48	19.5	27	14.3
Middle	22.8	26.2	58	23.6	34	18.0
Upper	42.1	41.0	99	40.2	102	54.0
Income NA	0.0	11.7	8	3.3	7	3.6
Total	100.0	100.0	246	100.0	189	100.0

Source: 2010 U.S. Census Data; 2012 and 2013 HMDA Data

In 2012, the Bank's lending performance is compared with the aggregate lending trends in the Bank's assessment area. In 2012 the Bank made 13.4 percent of its HMDA loans to borrowers designated as low-income. This figure was three times the aggregate benchmark of 4.5 percent. The institution ranked 8th to low-income borrowers within its assessment area in 2012, with a 3.3 percent market share. It should be noted that the institutions ranked above the Bank are large national banks and mortgage companies with nationwide footprints. The Bank's percentage of loans originated to low-income borrowers in 2013 decreased to 10.1 percent. This figure falls short of the percentage of families in this income level at 18.5 percent. High home prices and the fact that many low-income families would not qualify for a home mortgage loan explain the difference.

Winchester Co-operative Bank is a participating lender in the Massachusetts Housing Partnership's ONE Mortgage Program. The ONE Mortgage program enables LMI borrowers to purchase their first home by providing relief from the cost of private mortgage insurance. Management indicated that this product allows the Bank to better meet the credit needs of LMI borrowers. In 2012 and 2013 the Bank originated nine loans totaling approximately \$1.2 million in the ONE Mortgage program.

The Bank originated 19.5 percent of its HMDA loans to borrowers designated as moderate-income in 2012. This figure exceeds the aggregate benchmark of 16.6 percent. The Bank ranked 23rd in lending to moderate-income borrowers with a 1.4 percent market share in 2012. The decline in numbers and percentages to LMI borrowers from 2012 to 2013 was attributed to the interest rate environment and the Bank's limited branch presence in the assessment area.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Table 6 presents the Bank's home mortgage lending performance by number of loans in 2012 and 2013 as well as aggregate lending data for 2012. Table 6 also includes the percentage of owner-occupied housing units for each census tract income level for comparison purposes.

Table 6 – Distribution of Home Mortgage Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Owner- Occupied Housing Units	2012 Aggregate Lending Data (% of #)	2012 Bank		2013 Bank	
			#	%	#	%
Moderate	10.0	7.9	12	4.9	12	6.4
Middle	60.2	56.8	100	40.7	77	40.7
Upper	29.8	35.3	134	54.4	100	52.9
Total	100.0	100.0	246	100.0	189	100.0

Source: 2010 U.S. Census Data; 2012 and 2013 HMDA Data

In 2012, the Bank originated 4.9 percent of home mortgage loans to borrowers residing in moderate-income census tracts. This figure is below the aggregate lending benchmark of 7.9 percent. For the same year, the institution ranked 39th in its assessment area with a 0.5 percent market share in lending to moderate-income tracts. In 2013, the Bank slightly increased the proportion of home mortgage loans originated to borrowers residing in moderate-income tracts to 6.4 percent. This figure falls below the demographic figure of 10.0 percent of owner-occupied housing units.

It should be noted that the Bank recently expanded its assessment area to include six additional moderate-income census tracts for this examination period. As previously mentioned the Bank maintains only one branch in Winchester and does not employ any outside originators in surrounding towns. Since moderate-income tracts contain only 10.0 percent of owner-occupied housing units in the assessment area, it is difficult for the Bank to reach potential borrowers in these areas and compete with existing lenders for new business.

Response to CRA Complaints

The Bank did not receive any CRA-related complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

Winchester Co-operative Bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services as appropriate, considering the institution's capacity and the need and availability of such opportunities in the institution's assessment area.

Opportunities to extend community development loans, investments, and services were determined through an analysis of demographic information, which shows that 35.1 percent of assessment area families are categorized as low- or moderate-income according to 2010 U.S. Census data. Additionally, community contacts indicated that the assessment area needs affordable housing, as high rent costs and home prices create challenges for LMI households and families. The contact also stated that organizations providing services for the elderly need financial support. A review of public evaluations of similarly situated institutions indicated there are both needs and opportunities related to community services for the LMI population in the assessment area.

Qualified Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area.

The Bank originated two community development loans totaling approximately \$200,000 since the previous examination, dated March 14, 2011. This total represents 0.06 percent of the Bank's net loans. As mentioned previously, the Bank's lending focus is to originate loans secured by 1-4 family residential real estate. As a result, nearly all of the Bank's originations are reported on its LAR and considered under the Lending Test. With the exception of loans secured by multi-family residential real estate, these loans may not be considered under the Community Development Test. This context mitigates the Bank's performance in originating community development loans. The following is a description of the two loans originated during the evaluation period.

- In August 2013, the Bank provided a \$125,000 commercial mortgage to a local church. These funds were used to renovate five residential units owned by the church that are rented to LMI individuals at below market rates. The units are located within the assessment area in Medford. The primary purpose of the loan was to sustain quality affordable housing.
- In January 2014, the Bank originated a \$75,000 line of credit to a non-profit organization dedicated to assisting LMI elder homeowners who want to stay in their homes. The organization serves the assessment area, as well as a broader State-wide area.

Qualified Community Development Investments

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives. The following describes the institution's qualified investments during this evaluation.

Since the previous evaluation, dated March 14, 2011, total qualified investments were \$97,974. This total consists solely of grants and donations. The amount of qualified investments is similar to the amount at the prior evaluation. Qualified grants represented 0.41 percent and 0.47 percent of the Bank's pre-tax net operating income in 2012 and 2013. The Bank's level of qualified grants increased each year and is on pace to exceed all prior years in 2014.

Contributions were made to organizations providing education, youth programs, affordable housing, and health and human services. Table 7 breaks down the Bank's qualified donations by year and purpose.

Table 7 – Community Development Grants and Donations												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services*		Economic Development		Revitalization or Stabilization**		Neighborhood Stabilization Projects			
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
2011	4	2,450	18	18,736	0	0	1	775	0	0	23	21,961
2012	3	2,250	23	25,120	0	0	0	0	0	0	26	27,370
2013	8	4,450	28	23,458	0	0	0	0	0	0	36	27,908
2014	4	11,550	14	9,185	0	0	0	0	0	0	18	20,735
Total	19	20,700	83	76,499	0	0	1	775	0	0	103	97,974

Source: Bank Records

*Targeted to Low- or Moderate-Income Individuals

** In Low- or Moderate-Income, Disaster, Distressed, or Underserved Geographies

Examples of the qualifying organizations include:

Mission Of Deeds – This non-profit agency located in Reading, Massachusetts has a mission of distributing beds, furniture, and other household items in good condition to LMI families and individuals living in Middlesex and Essex counties. More than half of the families who receive assistance are mothers and their children, many of whom have lived at shelters for the homeless and battered women.

Woburn Council of Social Concern – This organization supports the needs of LMI children, as well as families and senior citizens, by providing day care, parenting education, and food assistance. These programs assist over 2,700 needy individuals per year within the assessment area.

Winchester Council on Aging – The Bank specifically donated annually to this organization's Literary Lunch and Savvy Seniors programs. In addition to healthy meals, these programs provided general and financial education services to LMI elders at no cost. The Bank also made a large donation to help fund the Winchester Green Energy Grant Project for LMI elders.

Caritas Communities – Caritas Communities is the largest non-profit owner and manager of permanent veteran and single room occupancy housing in Greater Boston. The organization provides low- and extremely low-income residents safe, clean, and stable housing in its 895 rooms in 29 buildings in the Boston area. By running its properties on a not-for-profit basis, renting at below market rents, and partnering with service agencies, Caritas makes it possible for residents to have a permanent home while maintaining dignity and stability in their lives.

Homeowners Options for Massachusetts Elders (HOME) – A 30-year old non-profit agency, HOME is dedicated to protecting the equity of LMI elder homeowners. As an independent third party, HOME receives no fees whatsoever for any loans generated. This allows HOME counselors to focus solely on HOME's mission: To conserve and protect the equity of LMI elder homeowners so they can age-in-place. HOME is also recognized as a national leader in senior foreclosure prevention.

Winchester Seniors Association (Meals-on-Wheels) – This organization provides programs that assist elders in Winchester. The Bank contributed to the Meals-on-Wheels program in particular. On average 36 meals weekly are delivered in the community from Monday to Friday by volunteers. It allows recipients to stay in their homes longer and to eat a more balanced diet. The program primarily services LMI individuals.

Qualified Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial services. The Bank responded to several of the area's community development needs through providing qualified services. The Bank is currently involved in local services and non-profit entities that qualify as community development organizations, lending their financial expertise to these organizations.

Bank Employee and Director Involvement

During the evaluation period, officers and employees of the Bank were involved in organizations in various capacities that represented a community development purpose. Bank personnel and Directors provided these organizations with financial expertise in a variety of roles.

The following descriptions represent the Bank's community development services that benefited the assessment area.

Winchester Council on Aging

The President and Chief Executive Officer of the Bank partnered with this organization to develop and administer the Winchester Green Energy Grant Project for LMI elders in Winchester. The project was launched in April 2014 to encourage income-eligible seniors to take energy-saving measures in their homes. Up to \$800 may be provided for each action taken, such as rooftop solar installation or wall insulation. The Bank will also assist in providing funding for the project.

Winchester Housing Partnership

A Senior Vice President of the Bank serves as a Board member for the Winchester Housing Partnership. The Board recommends overall strategies and specific proposals for the development of affordable housing and applications for, and allocation of, Federal and State housing development subsidies and grants. It also reviews and makes recommendations on the inclusion of affordable housing in proposals for privately financed multiple-unit developments.

English At Large

An Assistant Vice President of the Bank serves as a Board member for English At Large. This organization provides free English classes to refugee and immigrant adults in 21 communities, including the Bank's entire assessment area. English At Large helps clients overcome language barriers, so that they can get jobs, adjust to their new environment, obtain community services, access health care, and advocate for their children at school. The inability to speak English holds many LMI individuals back from economic independence and advancement. These services are targeted to LMI individuals.

En Ka Society

A Bank Director is the current president and has been involved with this charity since 2000. A non-profit volunteer organization, the En Ka Society provides direct service and contributions through fundraising for Winchester community organizations such as the Westley Street Tenant's Association, Jenks Senior Center, and a summer lunch program for kids who receive subsidized lunches during the school year. En Ka also provides direct financial assistance for low-income families in need.

Financial Education**Winchester Seniors Association and Council on Aging**

In October 2011 the Bank President and the Chairman of the Board conducted a money matters presentation to a group of seniors. Topics included an overview of banking products, services, and estate planning considerations. The target audience of this symposium was LMI seniors.

Winchester Affordable Housing Lottery

The Bank participated in two information sessions with applicants in May 2012, as well as a post-purchase counseling session for selected applicants in 2012. The Bank provided guidance and counseling to potential LMI homeowners regardless of whether or not the applicant was selected for the lottery or obtained financing from the Bank.

Community Service Network

The Bank collaborated with this agency to deliver two first-time homebuyer workshops consisting of four three-hour evening sessions. These seminars occurred in July 2011 and May 2013. There were 16 attendees at the 2011 session and 18 attendees at the 2013 session. A majority of attendees were moderate-income.

Other Services

The Bank also provided the following retail services that have community development purposes.

Massachusetts Community Banking Council's (MCBC) Basic Banking Program

Winchester Co-operative Bank voluntarily participates in the MCBC Basic Banking program. In order to qualify, the Bank provides low-cost checking and savings accounts that particularly benefits low- and moderate-income individuals.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No violations of the substantive provisions of anti-discrimination laws and regulations, or other illegal credit practices, were identified.

APPENDIX A

Fair Lending Policies and Procedures

The Bank has a written Fair Lending Policy and conducts a formal fair lending review on a monthly basis to track adverse actions. The Bank also maintains a clear second-review process for all denied loans. The Bank provides fair lending training to employees and officers in operations and lending departments, as well as at the Executive and Board level. No indication of discriminatory or other illegal credit practices were identified during the evaluation. Overall, the institution's fair lending policies, procedures, training programs, and internal assessment efforts were deemed satisfactory.

MINORITY APPLICATION FLOW

The Bank's residential lending in 2012 was compared with 2012 aggregate lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to Table 8 for information on the Bank's minority application flow as well as a comparison to aggregate lending data within the Bank's assessment area.

Table 8- Minority Application Flow					
RACE	Bank 2012		2012 Aggregate Data	Bank 2013	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.1	1	0.5
Asian	9	3.4	10.3	4	1.8
Black/ African American	2	0.8	1.0	0	0.0
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority Races	1	0.4	0.0	0	0.0
Joint Race (White/Minority)	3	1.1	1.8	2	0.9
Total Minority	15	5.7	13.3	7	3.2
White	234	87.6	61.7	185	84.5
Race Not Available	18	6.7	25.0	27	12.3
Total	267	100.0	100.0	219	100.0
ETHNICITY					
Hispanic or Latino	1	0.4	0.9	0	0.0
Not Hispanic or Latino	246	92.1	73.1	188	85.8
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	0.8	1	0.5
Ethnicity Not Available	20	7.5	25.2	30	13.7
Total	267	100.0	100.0	219	100.0

Source: 2012 and 2013 HMDA data & 2012 HMDA Aggregate Data

According to the 2010 U.S. Census data, the Bank's assessment area contained a total population of 235,840 individuals, of which 19.5 percent are minorities. The assessment area's minority and ethnic population consists of 3.9 percent Black/African American, 9.5 percent Asian/Pacific Islander, 0.1 percent American Indian, 3.4 percent Hispanic, and 2.6 percent Other.

In 2012, the Bank received 267 HMDA reportable loan applications within its assessment area. Of these applications, 15, or 5.7 percent, were received from minority applicants. All of these applications resulted in originations. The Bank ranked below the aggregate mark of 13.3 percent of applications from minorities. In 2012 the Bank received one application representing 0.4 percent of applications from the Hispanic or Latino ethnic group, which resulted in an

origination. This ranked below the aggregate mark of 0.9 percent of applications from the Hispanic or Latino ethnic group. The Bank approved minority and Hispanic applicants at higher rates when compared to the aggregate lending figures. Overall, 70.2 percent of Hispanic applicants received loans and 81.3 percent of minority applicants received loans in 2012 within the assessment area.

In 2013, the Bank slightly decreased its performance in regards to minority applicants (3.2 percent) and originated no loans to Hispanic applicants.

APPENDIX B

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and

non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 19 Church Street, Winchester, Massachusetts 01890."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.